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BEFORE THE ARIZONA CORPORATION

COMMISSIONERS

BOB STUMP, Chairman
GARY PIERCE, Commissioner
BRENDA BURNS, Commissioner
SUSAN BITTER SMITH, Commissioner
BOB BURNS, Commissioner

2013 SEP 30 P 1:35

ARIZONA CORPORATION
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

SEP 30 2013

DOCKETED BY

[Signature]

IN THE MATTER OF THE APPLICATION OF)
WILLOW VALLEY WATER CO., INC. FOR)
AN EXTENSION OF ITS CERTIFICATE OF)
CONVENIENCE AND NECESSITY.)

DOCKET NO. W-01732A-05-0532

**NOTICE OF FILING EXECUTED
MAIN EXTENSION
AGREEMENTS AND LETTERS**

In Decision No. 68610 the Commission entered its Order extending the water Certificate of Convenience and Necessity of Willow Valley Water Co., Inc. to include an area described in the Order and further ordering that the water company file with Docket Control, as compliance items in this Docket (a) a Notice of Filing indicating that Willow Valley Water Co., Inc. has submitted for Staff review and approval a copy of the fully executed main extension agreements for water facilities for the extension area and (b) copies of the Developer, McKellips Land Corporation's Letters of Adequate Water Supply for the extension area.

In Decision No. 71174 (June 30, 2009) the Commission found that McKellips Land Corporation should be granted intervenor status in this proceeding as a party directly and substantially affected by the proceedings. McKellips Land Corporation is uncertain which of the compliance items have been filed as ordered and, therefore, is filing with this Notice the following compliance items:

Exhibit "A" - Line Extension Agreement dated August 31, 1995, approved October 25, 1995, for Willow Valley Estates 20, Tract 4134A.

Exhibit "B" - Letter of Adequate Water Supply (Report #22-300085) from Arizona Department of Water Resources for Willow Valley Estates 20, Tract 4134A

1 Exhibit "C" – Line Extension Agreement dated September 26, 2003, for Willow Valley Estates 20,
2 Tract 4134B.

3 Exhibit "D" – Letter of Adequate Water Supply (Report #22-400791) from the Arizona Department
4 of Water Resources for Willow Valley Estates 20, Tract 4134B.

5 Exhibit "E" – Water Facilities Extension Agreement dated December 2, 2010, for Willow Valley
6 Estates 21, Tract 4228 (formerly known as Willow Valley Estates 20, Tract 4134B)

7
8 RESPECTFULLY SUBMITTED this 30th day of September, 2013.

9 CARSON MESSINGER PLLC

10 By 

11 Michael Nevels
12 4808 N. 22nd Street, Suite 200
13 P.O. Box 33907
14 Phoenix, Arizona 85067
15 Attorneys for McKellips Land Corporation

16 Original and 13 copies of the foregoing
17 filed this 30th day of September, with:

18 Docket Control
19 Arizona Corporation Commission
20 1200 West Washington Street
21 Phoenix, Arizona 85007

22 Copy of the foregoing hand-delivered and/or mailed
23 this 30th day of September, to:

24 Lyn Farmer, Esq.
25 Chief Administrative Law Judge
26 Hearing Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Janice Alward, Esq.
Chief Counsel, Legal Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

1 Steven M. Olea
2 Director, Utilities Division
3 Arizona Corporation Commission
4 1200 West Washington
5 Phoenix, Arizona 85007

6 Timothy J. Sabo, Esq.
7 Roshka DeWulf & Patten, PLLC
8 400 East Van Buren Street, Suite 800
9 Phoenix, Arizona 85004
10 Attorneys for Willow Valley Water Co., Inc.


11 By 
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EXHIBIT "A"

LINE EXTENSION AGREEMENT

APPROVED 10/25/1995

Utility: Willow Valley Water Co., Inc.

Developer: McKellips Land Corporation

Subdivision: Willow Valley Estates 20, Tract 4134A

WILLOW VALLEY WATER CO., INC.
2198 EAST CAMELBACK ROAD, SUITE 340
PHOENIX, ARIZONA 85016
Phone: (602) 224-0711

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EXHIBITS

- Exhibit A - Legal Description of Property
- Exhibit B - Water-Related Facilities Plans for Willow Valley Estates, Project No. _____, Sheet Nos. _____ to _____.
- Exhibit C - Cost Estimate for Water-Related Facilities
- Exhibit D - Company's Special Provisions

WILLOW VALLEY WATER CO., INC.
2198 EAST CAMELBACK ROAD, SUITE 340
PHOENIX, ARIZONA 85016
Phone: (602) 224-0711

LINE EXTENSION AGREEMENT

THIS AGREEMENT, made this ____ day of July, 1995, by and between Willow Valley Water Co., Inc. an Arizona corporation, (hereinafter "Company") and McKellips Land Corporation, an Arizona corporation, (hereinafter "Applicant").

WHEREAS, Company provides public utility water service in the vicinity of Bullhead City, Arizona;

WHEREAS, Applicant has requested water service from Company to certain property owned by Applicant, which Applicant intends to subdivide as Willow Valley Estates 20 and then to develop said subdivision in multiple phases;

WHEREAS, the portion of Willow Valley Estates encompassed by this Agreement is known as Lots 1 - 27, Willow Valley Estates 20, Tract 4134A, consisting of twenty-seven (27) residential lots, located in Section 21, Township 18 North, Range 22 West, G.&S.R.B.&M. (hereinafter "Property"). When the final subdivision plat has been recorded the complete legal description will be attached hereto as Exhibit "A";

WHEREAS, certain Water-Related Facilities must be designed, constructed, installed and connected to Company's system in order to permit adequate water service to be delivered to said Property by Company;

WHEREAS, Applicant is willing to finance, design, install and construct said Water-Related Facilities, subject to Company's approval of such design and construction.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, and as a predicate to the Property receiving water service, the parties hereby agree as follows:

1. Applicant to Construct: Applicant shall design, construct and install or cause to be designed, constructed or installed, the Water-Related Facilities necessary to provide adequate water service to the Property as depicted on Exhibit B, as modified in final engineering plans approved by Company, the Arizona Department of Environmental Quality ("ADEQ") and/or such other governmental agency, if any, having authority to review and approve the engineering plans (hereinafter "Water-Related Facilities"). Such modifications shall be deemed to amend Exhibit B and are incorporated herein by reference.

2. Applicant to Pay: Applicant shall pay all of the costs of designing, constructing, installing and connecting the Water-Related Facilities required by and/or arising from this Agreement or the performance thereof, including, but not limited to, the costs of engineering, computer modeling analysis, materials, labor, transportation, equipment, taxes, regulatory fees, necessary permits, easements, inspections, attorney's fees, approvals, testing, correction, insurance and bonds, if any.

3. Time of Payment: Applicant shall pay Company the actual costs incurred directly by the Company for engineering, computer modeling analysis, materials, inspection, attorneys' fees and income tax impacts (collectively "Company Costs"). Costs attributable to the design, construction and installation of the Water-Related Facilities will be made directly to the Applicant's contractor in a manner mutually agreed to between the Applicant and Applicant's contractor. All other sums payable by Applicant to Company hereunder shall be due and payable within ten (10) days of Company billing for the expense. Any adjustment in the income tax impact (gross-up) shall be billed within thirty (30) days after the Company files its state and federal income tax returns or amended returns; provided, however, Company anticipates that it will have a sufficient operating loss carry forward to permit Company to avoid any positive income tax consequences from receipt of the advances to be made hereunder. Interest shall accrue on any unpaid balance at the rate of 1.5% per month. Company shall have no obligation and may refuse to accept the Water-Related Facilities unless and until all Water-Related Facilities costs are timely paid and the Water-Related Facilities are constructed in accordance with the approved plans, are operational and are free of any encumbrance or lien.

4. Actual Cost Shall Govern: The estimated total cost of the Water-Related Facilities is \$73,429.34 as shown on Exhibit C, plus reimbursable Company Costs. Applicant acknowledges the estimate is non-binding and hereby agrees to pay the actual cost of the Water-Related Facilities subject to the following exception. Notwithstanding the foregoing, it is anticipated that Company may utilize the funds set forth for construction of items 2 and 3 (\$46,246.34) on Exhibit "C" to install a storage tank, booster pumps and generator in lieu of the well site upgrades shown as items 2 and 3. If Company elects the alternative construction, then the maximum payment that shall be required from Applicant for the alternative construction shall be \$46,246.34 irrespective of the actual cost involved in such construction. Applicant shall, within sixty (60) days of written acceptance of Water-Related Facilities by Company, furnish Company with: (a) copies of all bills, invoices and other statements of expenses incurred by Applicant, covering all costs of materials, equipment, supplies, construction and installation of the Water-Related Facilities; (b) lien waivers and releases from contractors, subcontractors and vendors for materials,

labor, equipment, supplies and construction included in Water-Related Facilities; (c) receipts, specifying exact amounts or payments in full by Applicant to all contractors, subcontractors or vendors for all materials, equipment, supplies, labor and other costs of construction of the Water-Related Facilities; and (d) "as-built" drawings certified as to correctness by Stovall Engineering, Inc. or other engineer registered in the State of Arizona and approved by Applicant and Company, and showing the location and respective sizes of Water-Related Facilities. The actual amount paid by Applicant for the Water-Related Facilities accepted by Company and supported by documentary evidence acceptable to Company, will be deemed refundable advances-in-aid of construction.

5. Taxes/Regulatory Fees: Applicant shall be responsible for and pay any and all known or unknown, presently incurred or hereafter arising (through the date of acceptance by Company of the Water-Related Facilities) regulatory fees, special assessments, excise charges, taxes (excluding property taxes and Applicant's income taxes, but including gross-up fees, if any) or surcharges imposed upon Applicant and/or Company by any governmental entity and arising directly or indirectly from this Agreement or any undertaking required by this Agreement.

6. Subsequent Facilities: It is expressly recognized that there is, or may later be, a need to construct other water mains, distribution systems and service pipelines to or within the boundary of the lands described in Exhibit A in order to supply water service to other phases of the Willow Valley Estates 20; any additional transmission lines and production, storage and distribution facilities not specifically set forth in Exhibits B and C hereof, as amended and modified hereunder, are beyond the scope and coverage of this Agreement and, if constructed, will be the subject matter of separate and distinct agreements.

7. Company's Right to Stop Work: If Applicant fails to perform in accordance with this Agreement in any material way, Company by a written order signed by a duly designated representative of the Company, may order Applicant to stop, and Applicant shall stop construction and installation of the Water-Related Facilities, or any portion thereof, until the cause for such order has been eliminated.

8. Construction Standards: All plans, specifications, construction and installation of the Water-Related Facilities shall be in accordance with good utility practices, Company's Special Provisions attached as Exhibit D, rules, regulations and requirements of the ADEQ and the requirement of all other governmental agencies having jurisdiction thereover, including, but not limited to, traffic control, compaction, safety, pavement removal and replacement, sloping, shielding, shoring, OSHA regulations and Arizona Department of Health Services Bulletin

No. 8 and No. 10. Additionally, all of said plans and specifications shall meet or exceed the standards and specifications of the Maricopa Association of Governments and Company, and shall be approved in writing by Company before being submitted to ADEQ or the Arizona Corporation Commission ("ACC") for approval. Approval by Company will not be unreasonably withheld or delayed. Water-Related Facilities will be designed and constructed with sufficient capacity to accommodate the water service requirement of this entire phase of Willow Valley Estates 20 without adversely impacting water service to other customers of Company.

9. Governmental Approvals: Prior to purchasing materials for or commencing construction of the Water-Related Facilities, Applicant shall pay for and provide to Company all requisite permits, highway construction permits, zoning and other governmental approvals, as required and necessary to install, construct and maintain the Water-Related Facilities, not including permits required to be obtained and maintained generally by the Company in order to do business (i.e., its Franchise and related fees).

10. Contractor's License: Unless another classification is appropriate, all construction, installation and connection of Water-Related Facilities shall be done by a contractor having a valid contractor's license issued by the State of Arizona Registrar of Contractors encompassing the work to be performed (usually a Class A, A-12 or A-16 license).

11. Provision and Use of Easements: Applicant shall, at no cost to Company, provide on the recorded plat of the subdivision or otherwise furnish Company, in a form acceptable to Company, any and all easements and rights-of-way reasonably necessary to insure the proper provision of utility service by Company, as determined in the reasonable discretion of Company. Company shall have the right to use any of the existing or future public or general utility dedications, easements, or recorded rights-of-way on any Applicant's Property in furtherance of the proper provision of utility service by Company.

12. Provision and Use of Wellsites, Booster Sites and Storage Tank Sites: Company acknowledges that it has previously acquired adequate well site(s), booster site(s), and storage tank site(s) deemed by it to be necessary for the location of the Water-Related Facilities.

13. Obligation to Commence: If Applicant fails to pursue completion with reasonable diligence as determined by Company, Company shall give written notice thereof and if Applicant does not resume construction within twenty (20) days thereafter, and diligently pursue completion thereof, then this Agreement may be canceled upon ten (10) days written notice to

Applicant. In the event the Agreement is canceled, neither party hereto shall have any further obligations to the other hereunder, except that Company shall refund all advances it has received hereunder, excluding costs actually incurred by Company, including, but not limited to, engineering and legal fees and costs incurred in the preparation of this Agreement. If Applicant or any contractor employed by Applicant is delayed at any time in the progress of the work by labor disputes, fire, unusual delay in deliveries, abnormal adverse weather conditions, unavoidable casualties or any other causes beyond the control of Applicant or such contractor, the time allowed by Company for construction shall be extended for a reasonable period on account thereof.

14. Inspection and Testing: Applicant shall comply with the inspection and testing requirements of Company relating to construction, installation and connection of the Water-Related Facilities; said requirements shall be reasonable and shall not cause Applicant unwarranted delays in the ordinary course of construction. Applicant shall give Company or Company's designated Engineer (Stovall Engineering, Inc. for this project) adequate notice when Water-Related Facilities under construction are ready for inspection and testing, and Company shall inspect within forty-eight (48) hours after being so notified, excluding weekends and holidays. Company specifically reserves the right to withhold acceptance of Water-Related Facilities unless said facilities have been constructed in accordance with the approved plans and specifications and are satisfactory to Company upon inspection and testing, whose approval will not be unreasonably withheld. Inspection or acceptance by Company shall in no way relieve or limit Applicant's responsibility and liability for construction and installation of Water-Related Facilities in accordance with the terms of this Agreement; provided, however, if Applicant requires or otherwise obtains a performance bond acceptable to Company, Applicant may require Company to proceed solely against the bond to remedy defects and deficiencies in construction, materials and workmanship.

15. Warranty: Unless otherwise provided in Exhibit B, Applicant warrants to Company that all materials and equipment furnished under this Agreement will be new, and that the Water-Related Facilities will be of good quality, free from faults and defects. Applicant further guarantees the Water-Related Facilities for a period of two (2) years from the date of their acceptance by Company. Should any portion of the Water-Related Facilities need replacement or repair within two (2) years from the date of completion due to construction methods or material failure, Applicant shall replace such portion of the Water-Related Facilities at no cost to Company. If Applicant fails within reasonable time to replace or repair any portion of the Water-Related Facilities deemed to be needed, Company may cause said Water-Related Facilities to be replaced or repaired and Applicant agrees to pay all costs incurred therein. Any portion

of the Water-Related Facilities not conforming to the Agreement, including substitutions not properly approved and authorized, may be considered defective. If required by Company, Applicant shall furnish satisfactory evidence as to the kind and quality of materials and equipment used on the Water-Related Facilities.

16. Title to Property in Utility: The Water-Related Facilities constructed pursuant to this Agreement shall become upon acceptance thereof by Company, and shall remain, the sole property of Company without the requirement of any written document of transfer to Company. Applicant shall not have any further right, title, ownership or ownership interest herein whatsoever, except for the right to receive refunds of the particular advance-in-aid-of-construction pursuant to the method hereinafter described. However, Applicant shall furnish any document pertaining to ownership and title as may be requested by Company including documents which evidence or confirm transfer of possession to Company of good and merchantable title free and clear of liens, or which contain provisions for satisfaction of liens by Applicant.

17. Risk of Loss: All risk of loss shall be with Applicant until written acceptance by Company of the Water-Related Facilities. Applicant shall repair or cause to be repaired promptly, at no cost to Company, all damage to the Water-Related Facilities caused by construction operations until all construction under this Agreement has been completed and accepted in writing by Company.

18. Insurance: Applicant shall be responsible for purchasing and maintaining any applicable insurance required by law and shall maintain reasonable liability insurance as may be required by Company including, but not limited to, commercial general liability insurance. Applicant shall submit to Company proof of the required insurance upon executing this Agreement. Applicant shall maintain such insurance coverage until all the Work have been completed and the Water Related Facilities has been accepted in writing by Company.

Company shall not be obligated to review any of the Applicant's Certificates of Insurance, insurance policies or endorsements or to advise Applicant of any deficiencies in such documents and any receipt of copies or review by Company of such documents shall not relieve Applicant from or be deemed a waiver of Company's right to insist on strict fulfillment of Applicant's obligations under this paragraph.

19. Performance Bond and Labor and Material (Payment) Bond: No Performance or Payment Bonds shall be required in connection with the construction contemplated under this Agreement.

20. Return of Advance: The cost of construction and installation of Water-Related Facilities advanced by Applicant and as evidenced by invoices furnished to Company pursuant to Paragraph 4 hereof, is subject to refund by Company to Applicant. Company shall make refunds annually to Applicant on or before August 31, for the preceding July 1 through June 30 period. The amount to be refunded annually shall be ten percent (10%) of gross annual revenues (excluding all gross receipts taxes or sales taxes and all district, municipal, state or federally imposed regulatory assessments) derived from the provision of water served from each customer service line leading up to and taken from the particular Water-Related Facilities. Unless otherwise provided by Company's tariffs, by rule, regulation or order of the ACC or by other law, rule, regulation or order of an entity having jurisdiction, Company when making refunds will also refund a pro rata portion of the income tax impact (gross-up) actually paid to Company; said refund to be computed at the same tax rate the advance was originally assessed, except that if the total advance to be refunded (including the gross-up tax refund) is \$3,000.00 or less, then said refund shall be computed at the effective tax rate Company actually pays in the tax year the advance is refunded.

Refunds shall be payable for a period of fifteen (15) years from the date of Company's acceptance of the Water-Related Facilities, but in no event shall the funds paid to Applicant exceed the total amounts paid by Applicant for the Water-Related Facilities as advances-in-aid-of-construction. Any balance remaining at the end of the fifteen (15) year period shall become non-refundable unless the refund period is extended from year to year at the sole option of Company. No interest shall be paid on any amount advanced.

21. Company's Right of First Refusal: Before selling or transferring the refund obligation of Company under this Agreement, Applicant shall first give Company, and its heirs, successors and assigns, reasonable opportunity to purchase the same at the same price and upon the same terms as contained in any bona fide offer which Applicant has received from any third person or persons which Applicant may desire to accept.

22. Protection of Persons and Property: Applicant shall require its contractors to take every reasonable and practical means to comply with all laws, ordinances and regulations in order to minimize interferences to traffic inconveniences, discomfort and damage to the public, including the provision of adequate dust control measures. All obstruction to traffic shall be guarded. If an unsafe condition arises or exists during the progress of the construction, installation or connection of the Water-Related Facilities, or if Company has reasons to believe an unsafe condition exists, and notifies Applicant thereof, orally or in writing, Applicant shall suspend

work, wholly or in part, on the Water-Related Facilities for such period as may be necessary to correct the unsafe condition. Neither Applicant nor any subcontractor shall trespass upon private property. Company shall not be responsible for any injury or damage to persons or property, directly or indirectly, resulting from operations of Applicant or subcontractors completing the Water-Related Facilities. Applicant shall comply with and shall require Applicant's contractors to comply with the city, county and state relating to the safety of persons and property. Company shall not be held responsible for any injury or damage to person or property caused by Applicant or subcontractors or any agent or employee of either during the construction, installation or connection of the Water-Related Facilities and until their final acceptance by Company. Applicant shall require its contractors to take reasonable measures to protect against injury or damage to pipes, sewer conduits, electrical conduits, lawns, gardens, shrubbery, trees, fences, or other structures or property, public and/or private, encountered in the performance of this Agreement except as stipulated elsewhere herein. Applicant shall be responsible and liable for any injury or damage to such pipe, structures and property belonging to Company.

23. Indemnification: Applicant shall indemnify and hold harmless Company, its officers, directors, members, agents and employees from and against claims or expenses, including penalties and assessments and attorney's fees to which they or any of them may be subjected by reason of injury or death of any person, or loss or damage to any property contributed to or caused by the active or passive negligence of Applicant, its agents, servants, employees, contractors or subcontractors in the execution of Applicant's obligations under this Agreement or in connection therewith; provided, however, such indemnification shall not extend to claims or expenses arising by reason of the negligence or wilful misconduct of any of the parties intended to be indemnified. Notwithstanding the foregoing, Applicant and Company waive all rights against each other and any of their respective officers, directors, members, agents, employees, contractors and subcontractors for damages caused by any peril to the extent covered by property insurance secured and paid for by Applicant applicable to the Water-Related Facilities, except such rights as they may have to the proceeds of such insurance. In case any suit or other proceeding shall be brought for which indemnification is required hereunder, Applicant will assume the defense at Applicant's own expense and will pay all judgments rendered therein. The provisions of this Paragraph shall survive termination of this Agreement.

24. Non-Agents: It is agreed that Company is not an agent for Applicant and shall not incur any costs or expenses on behalf of Applicant and that Applicant is not an agent of Company and shall not incur any costs or expenses on behalf of Company.

25. Water Service: Upon acceptance of the Water-Related Facilities, Company agrees to provide domestic water service to the Property. Water service, when provided by Company, shall be provided in accordance with Company's Articles of Incorporation, By-laws, rules and regulations, and under the tariffs and rules and regulations approved by the ACC as amended from time to time. This Agreement shall not preclude Company from requiring applications for water service to be executed and complied with prior to the actual delivery of water service to individual lots within the Property.

Applicant is requesting retail potable water service to the Property for domestic use only. Company does not hereby agree to furnish water for industrial, lake, irrigation, golf course or any other non-domestic purpose, but may do so if so agreed by separate agreement. Company expressly disclaims any responsibility or obligation to provide water at a specific pressure or gallons-per-minute flow rate at any fire standpipe, or fire hydrant, or for fire protection service. In the event fire protection service is interrupted, irregular, defective, or fails from causes beyond the Company's control or through ordinary negligence of its employees, servants or agents, the Company will not be liable for any injuries or damages arising therefrom.

Company shall have no obligation whatsoever to provide service to the Property or any portion thereof, unless and until: Applicant has paid the full cost of the Water-Related Facilities as required hereunder; construction of the Water-Related Facilities has been completed and accepted by Company; and, with respect to service to individual lots, Company has been paid all fees, charges, and deposits authorized to be charged by the ACC including, but not limited to, meter and service lines which are not a part of the Water-Related Facilities covered by this Agreement.

26. Service of Notice: All notices, demands and acceptances required or permitted by this Agreement shall be in writing and shall be deemed to have been given properly when (1) sent by Certified Mail (postage fully prepaid); (2) delivered personally to the parties to this Contract; or (3) given by telefacsimile and the appropriate confirmation of transmittal is received. A party giving notice or demand by telefacsimile immediately shall also send the other party a copy of such notice or demand by Certified Mail (postage fully prepaid). Such notice, addressed as set forth below, shall be deemed properly delivered unless, prior to the date of the notice, a party has provided certain notification of a change of address.

Notices to Applicant:

ATTENTION: KEN WALTER
14 E. San Miguel
Phoenix, Arizona 85012
Telephone: 274-4640

With a copy to:

G. Wayne McKellips, Jr.
3300 N. Central Avenue
Suite 1900
Phoenix, Arizona 85012
Fax No. 277-4507
Telephone: 264-2261

Notices to Company:

ATTENTION: JOHN MIHLIK
2198 E. Camelback Rd, #340
Phoenix, Arizona 85016
Fax No.: (602) 224-5455
Telephone: 224-0711

27. Assignability: This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective legal representatives, successors and assigns and either party may record the Agreement with the County Recorder's office in the county where the Property is located. However, Applicant shall not assign its rights, obligations and interest in this Agreement without the prior written consent of Company and any attempted assignment without such consent shall be void and of no effect; provided, subject to the provisions of paragraph 21 hereof, Applicant may assign without the consent of the Company its rights to refunds hereunder.

28. Rights and Remedies: The duties and obligations imposed by this Agreement and the rights and remedies available hereunder shall be in addition to and not a limitation of any duties, obligations, rights and remedies otherwise imposed or available at law or equity. No action or failure to act by Company or Applicant shall constitute a waiver of any right or duty afforded any of them under the Agreement, nor shall any action or failure to act constitute an approval of or acquiescence in any breach, except as may be specifically agreed in writing.

29. Conservation Requirement: To the extent Applicant contracts for or constructs residences or other water consuming facilities on the Property, Applicant shall make its best efforts to ensure that construction of said residences and facilities incorporates the latest technologies in water conservation consistent with the economic investment therein. Applicant shall include as a part of its property restrictions on the lots a requirement that each lot purchaser within the Property take all steps reasonably necessary to limit total water received from Applicant to the degree that such users water supply usage shall not exceed the lessor of: a) the amount allocated to this

Property on a per lot basis by the Mohave Valley Irrigation and Drainage District, or b) any conservation requirement imposed by a governmental agency having jurisdiction thereover.

30. Litigation: Should litigation be necessary to enforce any term or provision of this Agreement, or to collect any damage claimed or portion of the amount payable under this Agreement, then all litigation and collection expenses, witness fees, court costs, and attorneys fees shall be paid to the prevailing party. Nothing herein shall preclude non-binding arbitration if the parties so elect in the event of a dispute hereunder.

31. Entire Agreement/Time of the Essence/Waiver: This Agreement sets forth the full and entire agreement of the parties and it may only be altered, amended or supplemented in writing. This Agreement shall be governed by the laws of the State of Arizona. Time is of the essence in performing all obligations hereunder. Waiver of a breach of any term, condition or covenant of this Agreement by any party shall be limited to the particular instance and shall not be deemed to waive future breaches of the other party of the same or other terms, conditions or covenants.

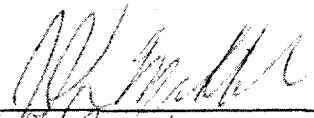
32. Authority to Execute: Each party warrants and represents that it has lawful authority to execute this Agreement and to perform all acts required hereunder.

32. Effective Date: This Agreement shall have no force or effect whatsoever and shall not be binding upon Company or Applicant until such time as it is executed by all parties and actually approved by the ACC and/or the utilities division thereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date and year first written above.

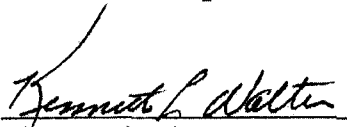
COMPANY:

WILLOW VALLEY WATER CO., INC.,
an Arizona Corporation


Its: Representative

APPLICANT:

McKELLIPS LAND CORPORATION, an
Arizona corporation


Its: K. Dalton

Property on a per lot basis by the Mohave Valley Irrigation and Drainage District, or b) any conservation requirement imposed by a governmental agency having jurisdiction thereover.

30. Litigation: Should litigation be necessary to enforce any term or provision of this Agreement, or to collect any damage claimed or portion of the amount payable under this Agreement, then all litigation and collection expenses, witness fees, court costs, and attorneys fees shall be paid to the prevailing party. Nothing herein shall preclude non-binding arbitration if the parties so elect in the event of a dispute hereunder.

31. Entire Agreement/Time of the Essence/Waiver: This Agreement sets forth the full and entire agreement of the parties and it may only be altered, amended or supplemented in writing. This Agreement shall be governed by the laws of the State of Arizona. Time is of the essence in performing all obligations hereunder. Waiver of a breach of any term, condition or covenant of this Agreement by any party shall be limited to the particular instance and shall not be deemed to waive future breaches of the other party of the same or other terms, conditions or covenants.

32. Authority to Execute: Each party warrants and represents that it has lawful authority to execute this Agreement and to perform all acts required hereunder.

32. Effective Date: This Agreement shall have no force or effect whatsoever and shall not be binding upon Company or Applicant until such time as it is executed by all parties and actually approved by the ACC and/or the utilities division thereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date and year first written above.

COMPANY:

WILLOW VALLEY WATER CO., INC.,
an Arizona Corporation

Its: [Signature]

APPLICANT:

McKELLIPS LAND CORPORATION, an
Arizona corporation

Its: [Signature]

Date Approved: July 25, 1995

Decision No.: _____

Director of Utilities
Arizona Corporation Commission

By: [Signature]

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

No. 5907

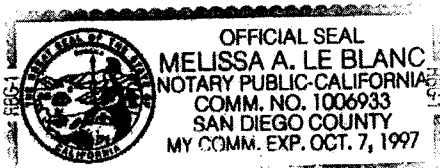
State of California

County of San Diego

On August 26, 1995 before me, Melissa A. LeBlanc,
DATE NAME, TITLE OF OFFICER - E.G., "JANE DOE, NOTARY PUBLIC"

personally appeared Kenneth L. Walter,
NAME(S) OF SIGNER(S)

☐ personally known to me - OR - ☒ proved to me on the basis of satisfactory evidence to be the person(●) whose name(●) is/~~are~~ subscribed to the within instrument and acknowledged to me that he/~~she/they~~ executed the same in his/~~her/their~~ authorized capacity(~~ies~~), and that by his/~~her/their~~ signature(~~s~~) on the instrument the person(●), or the entity upon behalf of which the person(●) acted, executed the instrument.



WITNESS my hand and official seal.

Melissa A. LeBlanc
SIGNATURE OF NOTARY

OPTIONAL

Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

CAPACITY CLAIMED BY SIGNER

- ☐ INDIVIDUAL
☐ CORPORATE OFFICER

TITLE(S) _____

- ☐ PARTNER(S) ☐ LIMITED
☐ GENERAL
☐ ATTORNEY-IN-FACT
☐ TRUSTEE(S)
☐ GUARDIAN/CONSERVATOR
☐ OTHER: _____

SIGNER IS REPRESENTING:
NAME OF PERSON(S) OR ENTITY(IES)

DESCRIPTION OF ATTACHED DOCUMENT

Line Extension Agreement
TITLE OR TYPE OF DOCUMENT

total - 12 pages / notarized - 1 page
NUMBER OF PAGES

DATE OF DOCUMENT

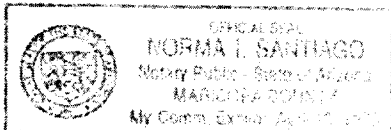
SIGNER(S) OTHER THAN NAMED ABOVE

ACKNOWLEDGEMENT

STATE OF ARIZONA)
) ss.
COUNTY OF Maricopa)

On this 31 day of August, 1995, before me,
the undersigned, a Notary Public, personally appeared J. John
Mihlik who acknowledged himself/herself to be the
President, of Willow Valley Water Co., Inc., an
Arizona Corporation, and that he/she as such, being authorized so
to do, executed the foregoing instrument for the purposes therein
contained, on behalf of the corporation

IN WITNESS WHEREOF, I have hereunto set my hand and official
seal.



My Commission Expires:

April 10, 1998

Norma I. Santiago
Notary Public

ACKNOWLEDGEMENT

STATE OF ARIZONA)
) ss.
COUNTY OF Maricopa)

On this ____ day of _____, 1995, before me,
the undersigned, a Notary Public, personally appeared _____
_____ who acknowledged himself/herself to be the
_____, of McKellips Land Corporation, an Arizona
corporation, and that he/she as such, being authorized so to do,
executed the foregoing instrument for the purposes therein
contained, on behalf of the corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and official
seal.

Please see attached
Notary Public acknowledgment

My Commission Expires:

M. J.
NOTARY

WILLOW VALLEY WATER COMPANY, INC.
2198 EAST CAMELBACK ROAD, SUITE 340
PHOENIX, ARIZONA 85016
TEL. (602) 224-0711
FAX (602) 224-5455

LINE EXTENSION AGREEMENT DATA SHEET

1. Current service provided

Users	1,343
Population per user	2.7
Total population	3,626
Usage in 1994	182,014,000
Past Usage per capita per day	137
2. Projected service

Users	1,370
Population per user	
Total population	3,699
Gallons per capital per day	137
Maximum demand	506,763 gpd
Maximum demand	352 gpm
3. Well pump capacity 1,725 gpm
4. Maximum well pump capacity 2,484,000 gpd
5. Storage tank capacity 110,000 gal
6. Booster pumps

1 @ 500 gpm	500 gpm
2 @ 250 gpm	500 gpm
5 well pumps	1,375 gpm
Total pumping capacity	2,375 gpm
7. System demand required for fire flow 1,000 gpm
8. Total usage and fire demand 1,352 gpm

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY
CERTIFICATE OF APPROVAL TO CONSTRUCT
WATER FACILITIES

PAGE 1 of 1

SYSTEM NAME: WILLOW VALLEY WATER CO	SYSTEM NO.: 08-040
PROJECT OWNER: WILLOW VALLEY WATER CO., INC..	
ADDRESS: 2198 E. CAMELBACK RD, STE 340, PHOENIX, AZ 85016	
PROJECT LOCATION: MOHAVE VALLEY	COUNTY: MOHAVE

DESCRIPTION: IMPROVEMENT OF THE WATER SUPPLY SYSTEM SERVING WILLOW VALLEY ESTATES 20.
CONSTRUCT 93,000 GALLON GALVANIZED STEEL BOLTED WATER STORAGE TANK IN COMPLIANCE WITH NSF
STANDARD 61, 3 BOOSTER PUMPS AND RELATED APPURTANANCES.

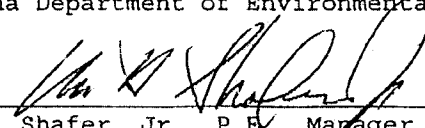
Approval to Construct the above-described facilities as represented in the approved documents
on file with the Arizona Department of Environmental Quality is hereby given subject to
provisions 1 thru 3 continued on Page 1 thru 1.

1. Notice shall be given to the Central Regional Office located in Phoenix when
construction of the project begins to allow for inspection during construction per
A.R.S. Section 49-104.B.10.
2. The project owner shall retain a professional engineer as soon as possible to provide
detailed construction inspections of this project. Upon completion of construction, the
engineer shall fill out the Engineers Certificate of Completion (attached), and forward
it to the Regional Office. If all requirements have been completed the Regional Office
will issue a Certificate of Approval of Construction.
3. Operation of a newly constructed facility shall not begin until a Certificate of Approval
of Construction has been issued by the Department.

The State law, A.R.S. Section 49-104.B.10, requires that construction of the project must be
in accordance with rules and regulations of the Arizona Department of Environmental Quality.
This certificate will be void if construction has not started within one year of the approval
date. Upon request a written time extension may be granted by the department.

Reviewed by: KNS:tlg

Edward Z. Fox, Director
Arizona Department of Environmental Quality

By:  9/29/95
Wm. H. Shafer, Jr., P.E., Manager Approval Date
Technical Engineering Unit
Water Quality Division

cc: File No.: 950509
Regional Office: Central
County Health Department: Mohave
Owner: Willow Valley Water Co., Inc..
Engineer: Ray Stadler
Planning and Zoning/Az Corp. Commission
Engineering Review Database

WILLOW VALLEY ESTATES UNIT 20 TRACT 4134A

BIDDING SCHEDULE - DOMESTIC WATER AND SANITARY SEWER PHASE ONE

DOMESTIC WATER

ITEM OF WORK	UNIT	QUANTITY	UNIT COST	ESTIMATED COST
8-in. PVC cl 200	LF	1,307	12.70	16,598.90
Service 1-in. double	Ea	12	265.00	3,180.00
Service 3/4 in. single	Ea	3	215.00	645.00
Fire hydrant assembly complete	Ea	3	1,421.00	4,263.00
8-in. valve, box and cover	Ea	2	481.00	962.00
8-in. Ductile Iron Pipe	LF	53	17.51	928.03
Concrete Seepage Collar	Ea	1		104.00
Sub-total domestic water				\$26,680.93

SANITARY SEWER

ITEM OF WORK	UNIT	QUANTITY	UNIT COST	ESTIMATED COST
8-in. pvc pipe	LF	1,248	11.50	14,352.00
4-ft. diam. MH	Ea	6	1,128.00	6,768.00
4-in. sewer tap	Ea	27	265.00	7,155.00
4" D.I.P. Sewer	LF	72	14.95	1,076.00
8" D.I.P. Sewer	LF	20	16.80	336.00
Sub-total Sanitary Sewer				\$29,687.40

VAN ROOY
 3636 S. JAMAICA BLVD
 LAKE HAVASAH AZ 86403

EXHIBIT "B"

ARIZONA DEPARTMENT OF WATER RESOURCES

Hydrology Division

500 North Third Street, Phoenix, Arizona 85004
Telephone (602) 417-2448
Fax (602) 417-2425



FIFE SYMINGTON
Governor

RITA P. PEARSON
Director

December 13, 1996

Mr. Roy Tanney
Chief of Subdivisions
Arizona Department of Real Estate
2910 North 44th Street
Phoenix, Arizona 85018

RE: Willow Valley Estates #20, Tract 4134-A, Mohave Co.
Water Adequacy Report #22-300085

Dear Mr. Tanney:

Pursuant to A.R.S. §45-108, the McKellips Land Corporation has provided the Department of Water Resources with information on the water supply for the Willow Valley Estates #20, Tract 4134-A, in Section 21, T18N, R22W.

Water for domestic use will be provided to each of the 27 lots in the subdivision by the Willow Valley Water Company, Inc., from wells within its franchised area.

Adequacy of the water supply was reviewed by the Department with regard to quantity, quality, and dependability. The subdivision is located in Mohave County. The water company's wells, which tap a groundwater body replenished by the Colorado River, are considered to be diverting Colorado River water. In September, 1996, the Mohave Valley Irrigation and Drainage District allocated 7.56 acre-feet of water for domestic use to Willow Valley Estates #20, Tract 4134-A, from the district's contract with the Secretary of the Interior for Colorado River water.

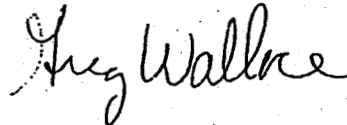
The Department of Water Resources, therefore, finds the water supply to be *adequate* to meet the subdivision's projected needs. Any change to the subdivision or its water supply plans may invalidate this decision.

This letter, which constitutes the Department of Water Resources' report on the subdivision water supply, is being forwarded to your office are required by A.R.S. §45-108. This law requires the developer to hold the recordation of the above subdivision's plats until the receipt of the Department's report on the subdivision's water supply. By copy of this report, the Mohave County Recorder officially is being notified of the developer's compliance with the law.

Page 2
Mr. Roy Tanney
Willow Valley Estates
December 13, 1996

If you have questions related to this matter, please call Genie Howell at (602) 417-2448.

Sincerely,



Greg Wallace
Chief Hydrologist

GW/EH
201563

cc: McKellips Land Corporation
Willow Valley Water Co, Inc.
Mr. Robert Johnson, MVIDD
Stadler Consulting Engineers, Inc.
Ms. Denise Burton, Stoval Engineering
Mr. G. Wayne McKellips, Jr.
Ms. Joan McCall, Mohave County Recorder
Ms. Tami Gustafson, ADEQ Technical Review Unit
Mr. Steve Rossi, ADWR
Mr. Joe Stuart, ADWR

EXHIBIT "C"

WILLOW VALLEY WATER CO., INC.

Phone: (602) 224-0711

LINE EXTENSION AGREEMENT

THIS AGREEMENT, made this 26th day of September, 2003 by and between WILLOW VALLEY WATER CO., INC., an Arizona corporation ("Company") and McKELLIPS LAND CORPORATION, an Arizona corporation ("Applicant");

WHEREAS, Company holds a Certificate of Convenience and Necessity from the Arizona Corporation Commission ("ACC") to provide water service in and around the vicinity of the Willow Valley Estates 20, Tract 4134-B subdivision, consisting of 29 lots and more specifically described on Exhibit "A" attached hereto and incorporated herein by this reference (the "Property");

WHEREAS, Applicant owns and intends to develop the Property and has requested Company to provide water service to the Property;

WHEREAS, certain Water-Related Facilities (as defined in Paragraph 1 below) must be designed, constructed, installed and connected to Company's system in order to permit Company to deliver adequate water service to the Property;

WHEREAS, Applicant is willing to finance, design, install and construct said Water-Related Facilities, subject to Company's approval of such design and construction.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, and as a predicate to the Property receiving water service, the parties hereby agree as follows:

1. Facilities to be Constructed This Agreement governs the construction, installation and financing of the Water-Related Facilities set forth in those certain engineering plans _____, dated _____, drafted by A-N West, Inc. consisting of _____ pages not attached hereto but incorporated herein by this reference as Exhibit B (the "Plans"), as modified in final engineering plans approved by Company, the ACC, the Arizona Department of Environmental Quality ("ADEQ") or its delegatee and/or such other governmental agency, if any, having authority to review and approve the engineering plans. Such modifications shall be deemed to amend the Plans and are incorporated herein by reference. No other or further amendments shall be permitted without written authorization of Company. The facilities to be constructed pursuant to the Plans are herein referred to as the "Water-Related Facilities". Any additional lines, or water facilities necessary to provide adequate water service to the Property, or any portion thereof, are beyond the scope of this Agreement and will be the subject matter of separate and distinct agreements.

2. Applicant to Construct and Pay: Applicant shall design, construct and install the Water-Related Facilities and shall pay all of the costs related thereto and/or arising directly or indirectly from this Agreement or any undertaken in the performance thereof, including, but not limited to, the costs

of engineering, computer modeling analysis, materials, labor, transportation, equipment, known or unknown, presently incurred or hereafter arising (through the dated of acceptance by the Company of the Water Related Facilities) regulatory fees, special assessments, excise charges, taxes (excluding property taxes and Company's income taxes) or surcharges, regulatory fees, necessary permits, easements, inspections, administrative overhead, attorney's fees, approvals, testing, correction, insurance and bonds, if any.

3. Time of Payment: Applicant, prior to Company's written acceptance of the Water-Related Facilities, shall pay all costs incurred by Applicant with any third party in the performance of this Agreement. Prior to Company's written acceptance of the Water-Related Facilities, but not later than thirty (30) days after completing construction, Applicant shall pay Company the actual costs incurred directly by the company for Company's cost of engineering, computer modeling analysis, inspection, and attorneys' fees incurred in connection with this Agreement not to exceed Five Percent (5%) of the total cost of construction (collectively, "Company Costs"). All other sums payable by Applicant to Company hereunder shall be due and payable the later of: (a) prior to the Company's written acceptance of the Water-Related Facilities, or (b) within fifteen (15) days of receiving a bill therefore. Interest shall accrue on any unpaid balance at the rate of 1.5% per month. All sums paid by the Applicant pursuant to this Paragraph 3 and supported by documentation as required by Paragraph 5, shall be deemed advances-in-aid-of-construction refundable as set forth in Paragraph 6 hereof.

4. Actual Cost Shall Govern: The estimated total cost of the Water-Related Facilities is forty seven thousand three hundred and forty-two dollars (\$47,342) as shown on Exhibit C, plus all applicable Company Costs. Applicant acknowledges the estimate is non-binding and hereby agrees to pay the actual cost of the Water-Related Facilities.

5. Documentation: Applicant shall, as a condition of acceptance of the Water-Related Facilities by Company and not later than sixty (60) days after completing construction, furnish Company with:

(a) copies of all bills, invoices and other statements of expenses incurred by Applicant, covering all costs of materials, equipment, supplies, construction and installation of the Water-Related Facilities;

(b) lien waivers and releases from contractors, subcontractors and vendors for materials, labor, equipment, supplies and construction included in Water-Related Facilities;

(c) receipts, specifying exact amounts or payments in full by Applicant to all contractors, subcontractors or vendors for all materials, equipment, supplies, labor and other costs of construction of the Water-Related Facilities;

(d) "as-built" drawings certified as to correctness by A-N West, Inc., or other engineer registered in the State of Arizona and approved by Company and Applicant, and showing the location and respective sizes of Water-Related Facilities; and

(e) all easements, bills of sale, deeds and other evidences of ownership, and/or right to operate, maintain, repair and replace the Water-Related Facilities reasonably requested by Company.

6. Return of Advance: The cost of construction and installation of Water-Related Facilities advanced by Applicant pursuant to this Agreement and evidenced by invoices furnished to Company pursuant to Paragraph 5 hereof, is subject to refund by Company to Applicant. Company shall make refunds annually on or before August 31, for the preceding July 1, through June 30 period. The amount to be refunded annually shall be ten percent (10%) of gross annual revenues (excluding all gross receipts collected as sales taxes, franchise fees and/or any other assessment, fee, tax or charge imposed by a state, federal or local governmental body or pursuant to a cost adjustment mechanism approved by the ACC) derived from the provision of water served from each customer service line leading up to and taken from water mains installed by Applicant pursuant to this Agreement.

Refunds shall be payable for a period of fifteen (15) years commencing from the earlier of: (a) the date of Company's acceptance of the Water-Related Facilities, or (b) the first day of the month following 180 days from the execution of this Agreement. In no event shall the funds paid hereunder exceed the total amounts paid by Applicant as advances-in-aid-of construction pursuant to this Agreement. Any balance remaining at the end of the fifteen (15) year period shall become non-refundable unless the refund period is extended from year to year at the sole option of Company. No interest shall be paid on any amount advanced by Applicant pursuant to this Agreement.

7. Company's Right of First Refusal: Before selling or transferring the refund obligation of Company under this Agreement, Applicant shall first give Company, and its heirs, successors and assigns, reasonable opportunity to purchase the same at the same price and upon the same terms as contained in any bona fide offer which Applicant has received from any third person or persons which Applicant may desire to accept.

8. Governmental Approvals: Prior to purchasing materials for or commencing construction of the Water-Related Facilities, Applicant shall pay for and provide to Company all requisite permits, highway construction permits, zoning and other governmental approvals, as required, and necessary to install, construct and maintain the Water-Related Facilities, not including permits required to be obtained and maintained generally by the Company in order to do business (e.g. its Franchise and related fees).

9. Provision and Use of Easements: Applicant shall, at no cost to and in a form acceptable to Company, provide on the recorded plat of the subdivision, or otherwise furnish Company any and all easements and rights-of-way reasonably necessary to insure the proper provision of utility service by Company, as determined in the reasonable discretion of Company. In addition, Company shall have the right to use any of the existing or future dedications, easements, or recorded rights-of-way on the Property in furtherance of the proper provision of utility service by Company.

10. Provision and Use of Wellsites, Booster Sites and Storage Tank Sites: Company acknowledges that it has previously acquired adequate well site(s), booster site(s), and storage tank site(s)

deemed by it to be necessary for the location of the Water-Related Facilities and provision of service to the Property in accordance with the provisions hereof..

11. Obligation to Complete Water-Related Facilities: Applicant has commenced construction of the Water-Related Facilities. If Applicant fails to pursue completion with reasonable diligence as determined by Company, Company shall give written notice thereof and if Applicant does not resume construction within twenty (20) days thereafter, and diligently pursue completion thereof, then this Agreement may be canceled upon ten (10) days written notice to Applicant. In the event the Agreement is canceled, neither party hereto shall have any further obligations to the other hereunder, except that Applicant shall be responsible and pay to Company an amount equal to the costs actually incurred by Company, including, but not limited to, engineering and legal fees and costs incurred in the preparation of this Agreement. Any advances Company has received in excess of the actual costs shall be refunded to Applicant. If Applicant or any contractor employed by Applicant is delayed at any time in the progress of the work by labor disputes, fire, unusual delay in deliveries, abnormal adverse weather conditions, unavoidable casualties or any other causes beyond the control of Applicant or such contractor, the time allowed by Company for construction shall be extended for a reasonable period on account thereof.

12. Company's Right to Stop Work: If Applicant materially fails to perform in accordance with this Agreement, and if a continuation of the work without correction could impede or render more expensive the correction of Applicant's failure, then Company, by a written order signed by a duly designated representative of the Company, may order Applicant to stop, and Applicant shall stop construction and installation of the Water-Related Facilities, or any portion thereof, until the cause for such order has been eliminated.

13. Contractor's License: Unless another classification is appropriate, all construction, installation and connection of Water-Related Facilities shall be done by a contractor having a valid contractor's license issued by the State of Arizona Registrar of Contractors encompassing the work to be performed (usually a Class A, A-12 or A-16 license).

14. Construction Standards: The size, design, type and quality of materials shall be in accordance with good utility practices, the requirements of Company (as identified on or before the date of this Agreement or as attached as Exhibit D), the rules, regulations, orders and requirements of the ACC, ADEQ and any other public agency having jurisdiction thereover, including, but not limited to, traffic control, compaction, safety, pavement removal and replacement, sloping, shielding, shoring, OSHA regulations and Arizona Department of Health Services Bulletins No. 8 and No. 10. Additionally, all of said plans and specifications shall meet or exceed the standards and specifications of the Maricopa Association of Governments, and shall be approved in writing by Company before being submitted to ADEQ, or its designee, or the Arizona Corporation Commission ("ACC") for approval. Approval by Company will not be unreasonably withheld or delayed. Water-Related Facilities will be designed and constructed with sufficient capacity to accommodate the water service requirement of the Property, including fire flow requirements imposed by a governmental entity, without adversely impacting water service to other customers of Company. Upon the request of Company, the Water-Related Facilities or any portion thereof,

shall be oversized, provided Company shall be responsible for and pay the incremental increase in costs and expenses related to the oversizing.

15. Inspection and Testing: Applicant shall comply with the inspection and testing requirements of Company and any governmental agency having jurisdiction over the construction, installation and connection of the Water-Related Facilities. Any inspection or testing requirement imposed by Company shall be reasonable and shall not cause Applicant unwarranted delays in the ordinary course of construction. Unless otherwise agreed, Applicant shall notify Company or Company's designated Engineer (A-N West, Inc for this project), that Water-Related Facilities are ready for inspection and/or testing, prior to covering or otherwise limiting access to the facility and when inspection or testing is otherwise required. Company, or its designated Engineer shall make an initial inspection of the facility within forty-eight (48) hours after being so notified, excluding weekends and holidays. Inspection or testing by Company shall in no way relieve or limit Applicant's responsibility and liability for construction and installation of Water-Related Facilities in accordance with the terms of this Agreement; provided, however, if Applicant requires or otherwise obtains a performance bond acceptable to Company, Applicant may require Company to proceed solely against the bond to remedy defects and deficiencies in construction, materials and workmanship.

16. Acceptance of Facilities: No Water-Related Facilities will be deemed accepted unless: (a) accepted in writing by Company or (b) documentation of conveyance has been delivered to and accepted by Company. Company shall not unreasonably refuse to accept Water-Related Facilities when offered by Applicant; provided, however, Company has no obligation to accept Water-Related Facilities, or any portion thereof, if: (a) not constructed in material conformance with the Plans; (b) determined to be unsatisfactory in any material respect upon inspection or testing; (c) not paid for in full; (d) lien or encumbered in any way; (e) not located on Company property, easement or right-of-way; or (f) not supported by proper documentation. Within sixty (60) days of Applicant tendering the facilities for acceptance, Company shall provide written notification of any defects and items left to be completed. Applicant shall promptly correct all defects and complete all items so identified.

17. Temporary Use of Facilities: Applicant irrevocably consents to Company's use of all or any portion of the Water-Related Facilities, without cost to Company, prior to formal acceptance thereof. Any water service provided by Company to the Property prior to written acceptance of the Water-Related Facilities as provided herein is provided on a temporary basis only, subject to termination on ten (10) days written notice that temporary service will no longer be available until Applicant meets all conditions precedent to acceptance of the Water-Related Facilities.

18. Risk of Loss: All risk of loss shall be with Applicant until written acceptance by Company of the Water-Related Facilities. Applicant shall repair or cause to be repaired promptly, at no cost to Company, all damage to the Water-Related Facilities caused by construction operations until all construction under this Agreement has been completed and accepted in writing by Company.

19. Performance Bond and Labor and Material (Payment) Bond: No performance or Payment Bonds shall be required in connection with the construction contemplated under this Agreement.

20. Title to Property in Utility: The Water-Related Facilities constructed pursuant to this Agreement shall become upon acceptance thereof by Company, and shall remain, the sole property of Company without the requirement of any written document of transfer to Company. Applicant shall not have any further right, title, ownership or ownership interest herein whatsoever, except for the right to receive refunds of the particular advance-in-aid-of-construction pursuant to the method hereinafter described. However, Applicant shall furnish any document pertaining to ownership and title as may be requested by Company including documents which evidence or confirm transfer of possession to Company of good and merchantable title free and clear of liens, or which contain provisions for satisfaction of liens by Applicant.

21. Warranty: Unless otherwise provided in Exhibit B, Applicant warrants to Company that all materials and equipment furnished under this Agreement will be new, and that the Water-Related Facilities will be of good quality, free from faults and defects. Applicant further guarantees the Water-Related Facilities for a period of two (2) years from the date of their acceptance by Company. Should any portion of the Water-Related Facilities need replacement or repair within two (2) years from the date of completion due to construction methods or material failure, Applicant shall replace such portion of the Water-Related Facilities at no cost to Company. If Applicant fails within reasonable time to replace or repair any portion of the Water-Related Facilities deemed to be needed, Company may cause said Water-Related Facilities to be replaced or repaired and Applicant agrees to pay all costs incurred therein; provided, however, if Applicant has obtained a performance bond which has been accepted by Company, Applicant may require Company to first proceed against the bond to remedy defects and deficiencies in construction, materials and workmanship. Any portion of the Water-Related Facilities not conforming to the Agreement, including substitutions not properly approved and authorized, may be considered defective. If required by Company, Applicant shall furnish satisfactory evidence as to the kind and quality of materials and equipment used on the Water-Related Facilities.

22. Insurance: Applicant shall be responsible for purchasing and maintaining the Applicant's usual liability insurance until acceptance of the Water-Related Facilities, including, without limitation commercial general liability with coverage in an amount no less than \$1,000,000/\$1,000,000.

Applicant shall submit to Company proof of the required insurance at such time(s) as deemed appropriate by Company. Applicant shall obtain the above-described insurance from insurance companies which are duly authorized to issue such policies in the State of Arizona, "Best Rated A" or better than the A.M. Best Company. Applicant shall maintain such insurance coverage until all the Work has been completed and the Water-Related Facilities have been accepted in writing by Company.

Company shall not be obligated to review any of the Applicant's Certificates of Insurance, insurance policies or endorsements or to advise Applicant of any deficiencies in such documents and any receipt of copies or review by Company of such documents shall not relieve Applicant from or be deemed a waiver of Company's right to insist on strict fulfillment of Applicant's obligations under this paragraph.

23. Protection of Persons and Property: Applicant shall adopt and require its employees, officers, agents, contractors and subcontractors to adopt every practical means and comply with all laws,

ordinances and regulations in order to minimize interferences to traffic, and to avoid inconveniences, discomfort, loss damage and injury to persons and property, including the provision of adequate dust control measures during the construction, installation or connection of the Water-Related Facilities. All obstruction to traffic shall be guarded. Neither Applicant nor any subcontractor shall trespass upon private property. Applicant shall require its contractors to take reasonable measures to protect against injury or damage to pipes, sewer conduits, electrical conduits, lawns, gardens, shrubbery, trees, fences, or other structures or property, public and/or private, encountered in the performance of this Agreement. Company shall not be responsible or liable for any injury or damage to persons or property, directly or indirectly, resulting from the actions or inactions of Applicant, its officers, directors, agents, employees and representatives; including contractors completing the Water-Related Facilities.

24. Indemnification: Applicant shall indemnify and hold harmless Company, its officers, directors, members, agents and employees from and against claims or expenses, including penalties and assessments and attorney's fees to which they or any of them may be subjected by reason of injury or death of any person, or loss or damage to any property contributed to or caused by the active or passive negligence of Applicant, its agents, servants, employees, contractors or subcontractors in the execution of Applicant's obligations under this Agreement or in connection therewith, provided, however, such indemnification shall not extend to claims or expenses arising by reason of the negligence or wilful misconduct of any of the parties intended to be indemnified. In case any suit or other proceeding shall be brought for which indemnification is required hereunder, Applicant will assume the defense at Applicant's own expense and will pay all judgments rendered therein. The provisions of this Paragraph shall survive termination of this Agreement.

25. Water Service: Upon Applicant complying fully with this Agreement, including receiving Company's written acceptance of the Water-Related Facilities, and obtaining all requisite governmental approvals to sell lots within the Property, Company agrees to offer domestic water service to the Property. Water service shall be offered in accordance with Company's Articles of Incorporation, By-laws, rules and regulations, and under the tariffs and rules and regulations approved by the ACC, as amended from time to time. This Agreement shall not preclude Company from requiring applications for water service to be executed and complied with prior to the actual delivery of water service to individual lots within the Property.

Applicant is requesting retail potable water service to the Property for domestic use only. Company does not hereby agree to furnish water for industrial, lake, irrigation, golf course or any other non-domestic purpose, but may do so if so agreed by separate agreement. COMPANY EXPRESSLY DISCLAIMS ANY RESPONSIBILITY OR OBLIGATION TO PROVIDE WATER AT A SPECIFIC PRESSURE OR GALLONS-PER-MINUTE FLOWRATE AT ANY FIRE STANDPIPE, OR FIRE HYDRANT, OR FOR FIRE PROTECTION SERVICE. IN THE EVENT FIRE PROTECTION SERVICE IS INTERRUPTED, IRREGULAR, DEFECTIVE, OR FAILS FROM CAUSES BEYOND THE COMPANY'S CONTROL OR THROUGH ORDINARY NEGLIGENCE OF ITS EMPLOYEES, SERVANTS OR AGENTS, THE COMPANY WILL NOT BE LIABLE FOR ANY INJURIES OR DAMAGES ARISING

THEREFROM. Notwithstanding the foregoing, Company agrees that it will not reduce the specific pressure designed into Applicant's water system by adding additional services or otherwise.

Company shall have no obligation whatsoever to provide service to the Property or any portion thereof, unless and until: Applicant has paid the full cost of the Water-Related Facilities as required hereunder; Applicant has secured all governmental approvals required hereunder or as a condition to the sale and/or occupancy of the subdivided lots; construction of the Water-Related Facilities has been completed and accepted in writing by Company; and with respect to water service to individual lots, Company has been paid all fees, charges, and deposits authorized to be charged by the ACC including, but not limited to, meter and service lines which are not a part of the Water Related Facilities covered by this Agreement.

26. Conservation Requirement: To the extent Applicant contracts for or constructs residences or other water consuming facilities on the Property, Applicant shall make its best efforts to ensure that construction of said residences and facilities incorporates the latest technologies in water conservation consistent with the economic investment therein and limits water using features. Applicant shall include as a part of its recorded covenants, conditions and restrictions on the lots in the subdivision a requirement that each lot purchaser within the Property take all steps reasonably necessary, including restricting outside lawns and vegetation, to limit the total water received from Applicant to the amount of water allocated to the Property on a per lot basis by the Mohave Valley Irrigation and Drainage District.

27. Non-Agents: It is agreed that Company is not an agent for Applicant and shall not incur any costs or expenses on behalf of Applicant and that Applicant is not an agent of Company and shall not incur any costs or expenses on behalf of Company.

28. Communication: Communications hereunder shall be sent to Applicant addressed as follows:

Mr. G. Wayne McKellips, Jr.
McKellips Land Corporation
3300 N. Central Avenue, Suite 1900
Phoenix, Arizona 85012

with a faxed copy to: (602) 277-4507

or to such other addresses or addressees as Applicant may advise Company in writing, and to Company at:

Willow Valley Water Company, Inc.
3800 North Central Avenue, Suite 500
Phoenix, Arizona 85012
ATTN: J. John Mihlik, President

with a faxed copy to: (602) 224-5455

or to such other addresses or addressees as Company may advise Applicant in writing.

Any notice to a party under this Agreement shall be in writing, and may be given by personal delivery, facsimile transmission (followed by mailing), recognized overnight courier or mail, and shall be deemed given and effectively served upon delivery, or if mailed, upon mailing provided it is thereafter actually delivered (or refused) and is mailed (postage prepaid) by certified or registered mail, return receipt requested, to the address of such party set forth herein, or to such other address as shall have previously been specified in writing by such party to all parties hereto; provided, however, a notice of change of address for notices shall not be deemed made until actually received. Refusal to accept delivery or to sign a receipt, or the inability to deliver because of a changed address of which no notice previously was given, shall constitute actual receipt. Whenever a party has the right or is required to do some act or give some notice within a prescribed period after the service of a notice or other paper upon that party which was served by mail only, three days shall be added to the prescribed period for response.

29. Assignability: This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective legal representatives, successors and assigns and either party may record the Agreement with the County Recorder's office in the county where the Property is located. However, Applicant shall not assign its rights, obligations and interest in this Agreement without the prior written consent of Company and any attempted assignment without such consent shall be void and of no effect; provided, subject to the provisions of Paragraph 7 hereof, Applicant may assign without the consent of the Company its rights to refunds hereunder..


30. Rights and Remedies: The duties and obligations imposed by this Agreement and the rights and remedies available hereunder shall be in addition to and not a limitation of any duties, obligations, rights and remedies otherwise imposed or available at law or equity. No action or failure to act by Company or Applicant shall constitute a waiver of any right or duty afforded any of them under the Agreement, nor shall any action or failure to act constitute an approval of or acquiescence in any breach, except as may be specifically agreed in writing.

31. Litigation: Should litigation be necessary to enforce any term or provision of this Agreement, or to collect any damage claimed or portion of the amount payable under this Agreement, then all litigation and collection expenses, witness fees, court costs, and attorneys fees shall be paid by the losing party to the prevailing party. Nothing herein shall preclude non-binding arbitration if the parties so elect in the event of a dispute hereunder.

32. Entire Agreement/Time of the Essence/Waiver: This Agreement sets forth the full and entire agreement of the parties and it may only be altered, amended or supplemented in writing. This Agreement shall be governed by the laws of the State of Arizona. Time is of the essence in performing all obligations hereunder. Waiver of a breach of any term, condition or covenant of this Agreement by any party shall be limited to the particular instance and shall not be deemed to waive future breaches of the other party of the same or other terms, conditions or covenants.

34. Effective Date: This Agreement shall have no force or effect whatsoever and shall not be binding upon Company or Applicant until such time as it is executed by all parties and actually approved by the ACC and/or the Utilities Division thereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date and year first written above.

By: 
John Mihlik, President

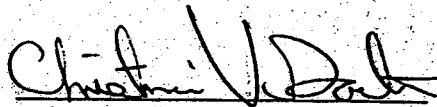
By: G. Wayne McKellips, Jr.
G. Wayne McKellips, Jr.

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) ss.
COUNTY OF Maricopa)

On this 24th day of September, 2003 before me, the undersigned, a Notary Public, personally appeared J. John Mihlik who acknowledged himself to be the President of Willow Valley Water Company, Inc., an Arizona corporation and that he as such, being authorized so to do, executed the foregoing instrument for the purposes therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.


Notary Public

My Commission Expires: 10/31/06



CHRISTINA VAN GOETHEM
Notary Public - Arizona
Maricopa County
Expires 10/31/06

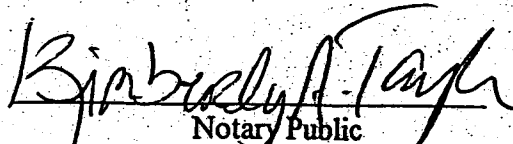
STATE OF ARIZONA)
) ss.
COUNTY OF Maricopa)

On this 30th day of September, 2003 before me, the undersigned, a Notary Public, personally appeared G. Wayne McKellips, Jr. who acknowledged himself to be a Vice President of McKellips Land Corporation, an Arizona corporation, and that he as such, being authorized so to do, executed the foregoing instrument for the purposes therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.



KIMBERLY A. TAYLOR
Notary Public - Arizona
Maricopa County
Expires 11/30/05


Notary Public

My Commission Expires:

EXHIBIT "A"

Legal Description of Property

Lots 28 through 56, inclusive, Willow Valley Estates 20, Tract 4134-B, according to the plat thereof recorded _____, 2003, in the office of the Mohave County Recorder at Fee No. 03-_____.

EXHIBIT "D"

10- 3-03; 10:34AM;

;6024172422

2/ 2

ARIZONA DEPARTMENT OF WATER RESOURCES**Office of Assured and Adequate Water Supply**

500 N. Third Street • Phoenix, Arizona 85004-3921

Telephone (602) 417-2465 • Fax (602) 417-2467



September 25, 2003

JANET NAPOLITANO
GovernorHERB GUENTHER
Director

Roy Tanney
Director of Real Estate Subdivisions
Arizona Department of Real Estate
2910 North 44th Street
Phoenix, AZ 85012

Water Adequacy Report #22-400791	Water provided by: Willow Valley Water Company Inc.
Subdivision Name: Willow Valley Estates Tract 4134-B	Water Type: Colorado River Water
Owner: Wayne McKellips McKellips Land Corporation Inc.	Current water depth: N/A
Number of lots: 29	Estimated 100-year depth: N/A
County: Mohave	Current decline rate: N/A
Township 18N Range 22W Section 21	Basin: Colorado River

Dear Mr. Tanney:

Pursuant to A.R.S. § 45-108, the Department of Water Resources has reviewed the available information pertaining to the water supply for the above-referenced subdivision. This letter constitutes the Department's report on the subdivision's water supply as required by A.R.S. § 45-108(A).

Adequacy of the 100-year water supply was reviewed by the Department with regard to physical, legal and continuous availability, and to determine if the water supply is of adequate quality. Information available to the Department indicates that the applicant has satisfied the adequate water supply requirements as set forth in A.A.C. R12-15-715 *et seq.* Therefore, the Department of Water Resources finds the water supply to be adequate to meet the subdivision's projected needs. Any change to the subdivision or its water supply plans may invalidate this decision.

This letter is being forwarded to your office as required by A.R.S. § 45-108. This law requires the developer to hold the recordation of the subdivision's plat until receipt of the Department's report on the subdivision's water supply. By copy of this report, the Mohave County Recorder is being officially notified of the developer's compliance with the law. If you have any questions, please contact Alan Dulaney at (602) 417-2465.

Sincerely,

Frank Putman,
Acting Assistant Director

FP/AD/ef
700001

cc: Ms. Christine Ballard, Mohave County Planning and Zoning
Ms. Joan McCall, Mohave County Recorder
Alan R. Dulaney, ADWR
Jack Lavelle, ADWR

EXHIBIT "E"

WATER FACILITIES EXTENSION AGREEMENT

This Agreement is made this 2nd day of December 2010 by and between WILLOW VALLEY WATER CO., INC., an Arizona corporation ("Company"), and MCKELLIPS LAND CORPORATION, an Arizona corporation, ("Developer")

RECITALS

A. Developer desires that water utility service be extended to and for its residential real estate development located in Willow Valley Estates 21, Tract 4228 consisting of 24 single family residential lots, in Mohave County within the vicinity of the Mohave Valley, Arizona (the "Development"). A legal description for the Development is attached hereto as Exhibit "A" and incorporated herein by this reference. The Development is located within Company's Certificate of Convenience and Necessity ("CC&N").

B. Company is a public service corporation as defined in Article XV, Section 2 of the Arizona Constitution which owns and operates water utility facilities and holds a CC&N from the Arizona Corporation Commission (the "Commission") granting Company the exclusive right to provide water utility service within portions of Mojave County, Arizona.

C. Subject to the terms and conditions set forth hereinafter, Developer is willing to construct and install facilities within the Development necessary to extend water utility service within the Development, which facilities shall connect to the Company's system as generally shown on the map attached hereto as Exhibit "B." Company is willing to provide water utility service to the Development in accordance with relevant law, including the rules and regulations of the Commission on the condition that Developer fully and timely perform the obligations and satisfy the conditions and requirements set forth below.

COVENANTS AND AGREEMENTS

NOW, THEREFORE, in consideration of the following covenants and agreements, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Construction of Facilities. Developer agrees to construct and install water distribution mains and pipelines, valves, booster stations, hydrants, fittings, service lines and all other related facilities and improvements necessary to provide water utility service to each lot or building within the Development as more particularly described in Exhibit "C" attached hereto and incorporated herein by this reference (referred to hereinafter as the "Facilities"). The Facilities shall connect to the Company's system at the point shown on the approved plans as generally depicted on the map attached hereto as Exhibit "B," and shall be designed and constructed within the Development in a manner which allows the provision of safe and reliable water utility service to each lot therein. Subject to the terms and conditions set forth herein (including, without limitation, Company's rights of plan review and approval and inspection of final construction), Developer shall be responsible for all construction activities associated with the Facilities, and Developer shall be liable for and pay when due all costs, expenses, claims and liabilities associated with the construction and installation of the Facilities.

2. Construction Standards and Requirements. The Facilities shall meet and comply with Company's standards and specifications, and all engineering plans and specifications for the Facilities shall be approved by Company and its engineers ("Company's Engineer"), prior to the commencement of construction. Company and Company's Engineer shall review the plans and specifications and shall provide any requirements or comments as

soon as practicable. Developer shall require that its contractor be bound by and conform to the plans and specifications for the Facilities as finally approved by Company. The construction and installation of the Facilities shall be in conformance with the applicable regulations of the Arizona Department of Environmental Quality ("ADEQ"), the Commission, and any other governmental authority having jurisdiction thereover.

3. Right of Inspection; Corrective Action. Company shall have the right to have Company's Engineer inspect and test the Facilities at reasonable times during the course of construction as necessary to ensure conformance with plans and specifications. If at any time before the final acceptance by Company of the Facilities any construction, materials or workmanship are found to be defective or deficient in any way, or the Facilities fail to conform to this Agreement, then Company may reject such defective or deficient construction, materials and/or workmanship and require Developer to fully pay for all necessary corrective construction efforts ("Corrective Action"). Company reserves the right to withhold approval and to forbid connection of any defective portion of the Facilities to Company's system unless and until the Facilities have been constructed in accordance with plans and specifications and all applicable regulatory requirements. Further, Developer shall promptly undertake any Corrective Action required to remedy such defects and deficiencies in construction, materials and workmanship upon receipt of notice by Company. The foregoing notwithstanding, Company shall not unreasonably withhold or delay acceptance of the Facilities.

4. Transfer of Ownership. Upon completion and approval of the as-built Facilities by Company and any other governmental authority whose approval is required, Developer shall transfer all right, title and interest in the Facilities to Company via a bill of sale

in a form satisfactory to Company. Thereafter, Company shall be the sole owner of the Facilities and be responsible for their operation, maintenance and repair. Company's ownership and responsibility shall include all distribution mains and/or related appurtenances within the Development up to the point of connection to the service line of each customer receiving service. Maintenance and repair of each service line, which lines are not part of the Facilities, shall be Developer's, the Development's or each individual customers' responsibility. All work performed by or on behalf of Developer shall be warranted by Developer for two years from the date of transfer of the Facilities to Company against defects in materials and workmanship. Developer shall also covenant, at the time of transfer, that the Facilities are free and clear of all liens and encumbrances, and unless the time period for filing lien claims has expired, shall provide evidence in the form of lien waivers that all claims of contractors, subcontractors, mechanics and materialmen have been paid and satisfied.

5. Final As-Built Drawings and Accounting of Construction Costs.

Immediately following completion and approval of the Facilities, Developer shall provide Company with three sets of as-built drawings and specifications for the Facilities and a reproducible copy of such drawings. Developer shall also provide an accounting of the cost of constructing and installing the Facilities, which amount shall be refundable in accordance with paragraph 8, below. Company shall have no obligation to furnish service to the Development or to accept the transfer of the Facilities until Developer has complied with this paragraph.

6. Easements. Developer shall be responsible for obtaining all necessary easements and rights-of-way for the construction and installation, and subsequent operation, maintenance and repair of the Facilities. Such easements and rights-of-way shall be of adequate

size, location, and configuration so as to allow Company ready access to the Facilities for maintenance and repairs and other activities necessary to provide safe and reliable water utility service. Such easements and rights-of-way shall be provided to Company by Developer at the same time as Developer transfers ownership of the Facilities pursuant to paragraph 4, above. At the time of transfer, all easements and rights-of-way shall be free of physical encroachments, encumbrances or other obstacles. Company shall have no responsibility to obtain or secure on Developer's behalf any such easements or rights-of-way.

7. Reimbursement for Engineering and Other Fees and Expenses.

Developer shall also reimburse Company for the costs, expenses and fees, including legal fees and costs that are incurred by Company for preparation of this Agreement, for reviewing and approving the plans and specifications for the Facilities to be constructed by Developer, for inspecting the Facilities during construction and other supervisory activities undertaken by Company, for obtaining any necessary approvals from governmental authorities (collectively the "Administrative Costs"). For such purpose, Developer will pay to Company the sum of Seven Thousand Five Hundred Dollars (\$7,500). Developer shall provide additional advances to Company, as may be requested by Company in writing from time-to-time, to reimburse Company for any additional Administrative Costs it incurs. All amounts paid to Company pursuant to this provision shall constitute advances in aid of construction and be subject to refund pursuant to paragraph 8, below.

8. Refunds of Advances. Company shall refund annually to Developer an amount equal to seven percent (7%) of the gross annual revenues received by Company from the provision of water utility service to each bona fide customer within the Development. Such

refunds shall be paid by Company on or before the first day of August, commencing in the fourth calendar year following the calendar year in which title to the Facilities is transferred to and accepted by Company and continuing thereafter in each succeeding calendar year for a total of twenty-two (22) years. No interest shall accrue or be payable on the amounts to be refunded hereunder, and any unpaid balance remaining at the end of such twenty-two year period shall be non-refundable. In no event shall the total amount of the refunds paid by Company hereunder exceed the total amount of all advances made by Developer hereunder. For the purposes of this provision, the total amount of Developer's advances shall be equal to Developer's actual cost of constructing the Facilities, less the costs of any corrective action as defined in paragraph 3 above, the costs of curing any defects arising during the warranty period, as provided herein, and the costs of any unreasonable overtime incurred in the construction of the Facilities, above, and the amounts paid by Developer to Company for Administrative Costs pursuant to paragraph 7, above.

9. Company's Obligation to Serve. Subject to the condition that Developer fully perform its obligations under this Agreement, Company shall provide water utility service to all customers within the Development in accordance with Company's tariffs and schedule of rates and charges for service, the rules and regulations of the Commission and other regulatory authorities and requirements. However, Company shall have no obligation to accept and operate the Facilities in the event Developer fails to make any payment provided in this Agreement, fails to construct and install the Facilities in accordance with Company's standards and specifications and in accordance with the applicable rules and regulations of ADEQ, the Commission or any other governmental authority having jurisdiction thereover, or otherwise fails to comply with the

terms and conditions of this Agreement. Developer acknowledges and understands that Company will not establish service to any customer within the Development until such time as Company has accepted the transfer of the Facilities, and all amounts that Developer is required to pay Company hereunder have in fact been paid. The foregoing notwithstanding, the Company shall not terminate service to any customer within the Development to whom service has been properly established as a consequence of any subsequent breach or nonperformance by Developer hereunder.

10. Liability for Income Taxes. In the event it is determined that all or any portion of Developer's advances in aid of construction hereunder constituted taxable income to Company as of the date of this Agreement or at the time Company actually receives such advances hereunder, Developer will advance funds to Company equal to the income taxes resulting from Developer's advance hereunder. These funds shall be paid to Company within twenty (20) days following notification to Developer that a determination has been made that any such advances constitute taxable income, whether by virtue of any determination or notification by a governmental authority, amendment to the Internal Revenue Code, any regulation promulgated by the Internal Revenue Service, or similar change to any statute, rule or regulation relating to this matter. Such notification shall include documentation reasonably necessary to substantiate the Company's liability for income taxes resulting from the Developer's advances in aid of construction under this Agreement. In the event that additional funds are paid by Developer under this paragraph, such funds shall also constitute advances in aid of construction. In addition, Developer shall indemnify and hold Company harmless for, from and against any tax related interest, fines and penalties assessed against Company and other costs and expenses

incurred by Company as a consequence of late payment by Developer of amounts described above.

11. Notice. All notices and other written communications required hereunder shall be sent to the parties as follows:

COMPANY:

Global Water - Santa Cruz Water Company
Attn: Cindy Liles
21410 N. 19th Avenue, Suite 201
Phoenix, Arizona 85027

DEVELOPER:

McKellips Land Corporation
Attn: Wayne McKellips
233 West Royal Palm Road
Phoenix AZ, 85201

Each party shall advise the other party in writing of any change in the manner in which notice is to be provided hereunder.

12. Governing Law. This Agreement, and all rights and obligations hereunder, shall be subject to and governed by the rules and regulations of the Commission relating to domestic water utilities and generally shall be governed by and construed in accordance with the laws of the State of Arizona. Developer understands and acknowledges that Company's rates and charges, and other terms and conditions applicable to its provision of utility service, may be modified from time-to-time by order of the Commission. Company shall provide Developer with copies of such orders that may affect Developer's rights and obligations hereunder.

13. Time is of the Essence. Time is and shall be of the essence of this Agreement.

14. Indemnification: Risk of Loss. Developer shall indemnify and hold Company harmless for, from and against any and all claims, demands and other liabilities and expenses (including attorneys' fees and other costs of litigation) arising out of or otherwise relating to Developer's failure to comply with any of the terms and conditions contained herein, including (without limitation) Company's refusal to serve any unit within the Development based on Developer's failure to pay all amounts required hereunder in a timely manner. Developer's duty to indemnify Company shall extend to all construction activities undertaken by Developer, its contractors, subcontractors, agents, and employees hereunder.

15. Successors and Assigns. This Agreement may be assigned by either of the parties provided that the assignee agrees in writing to be bound by and fully perform all of the assignor's duties and obligations hereunder. This Agreement and all terms and conditions contained herein shall be binding upon and shall inure to the benefit of the successors and assigns of the parties.

16. Dispute Resolution. The parties hereto agree that each will use good faith efforts to resolve, through negotiation, disputes arising hereunder without resorting to mediation, arbitration or litigation.

17. Integration: One Agreement. This Agreement supersedes all prior agreements, contracts, representations and understandings concerning its subject matter, whether written or oral.

18. Attorneys' Fees. The prevailing party in any litigation or other proceeding concerning or related to this Agreement, or the enforcement thereof, shall be entitled to recover its costs and reasonable attorneys' fees.

19. Authority to Perform. Company represents and warrants to Developer that Company has the right, power and authority to enter into and fully perform this Agreement. Developer represents and warrants to Company that Developer has the right, power and authority to enter into and fully perform this Agreement.

COMPANY:

WILLOW VALLEY WATER CO., INC.,
an Arizona corporation

By: Cindy M. Liles
Cindy M. Liles
Its: Secretary and Treasurer

DEVELOPER:

MCKELLIPS LAND CORPORATION,
an Arizona corporation

By: Wayne McKellips
Wayne McKellips
Its: President

EXHIBIT "A"
LEGAL DESCRIPTION

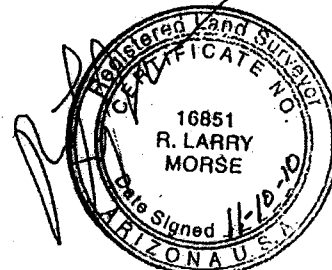
EXHIBIT A — LEGAL DESCRIPTION

A portion of Section 21, Township 18 North, Range 22 West of the Gila and Salt River Meridian, Mohave County, Arizona, being more particularly described as follows:

Commencing at the South quarter corner of said Section 21; Thence North 00°08'47" West a distance of 42.00 feet to the TRUE POINT OF BEGINNING;

Thence South 89° 50' 52" West a distance of 540.82 feet;
Thence South 89° 52' 49" West a distance of 1208.31 feet;
Thence North 00° 24' 34" East a distance of 110.85 feet;
Thence North 55° 41' 43" East a distance of 192.80 feet;
Thence North 34° 18' 17" West a distance of 10.00 feet;
Thence North 55° 41' 43" East a distance of 110.00 feet;
Thence South 34° 18' 17" East a distance of 45.00 feet;
Thence North 64° 47' 32" East a distance of 72.85 feet;
Thence North 88° 59' 50" East a distance of 335.04 feet;
Thence North 48° 35' 43" East a distance of 59.95 feet;
Thence South 53° 09' 10" East a distance of 220.16 feet;
Thence North 50° 20' 24" East a distance of 37.75 feet;
Thence South 39° 39' 36" East a distance of 85.00 feet;
Thence South 50° 20' 24" West a distance of 17.35 feet;
Thence South 53° 09' 10" East a distance of 41.14 feet;
Thence North 50° 20' 24" East a distance of 0.10 feet;
Thence North 89° 52' 49" East a distance of 100.53 feet;
Thence South 00° 07' 11" East a distance of 75.79 feet;
Thence South 53° 09' 10" East a distance of 40.26 feet;
Thence North 89° 52' 49" East a distance of 807.70 feet to the beginning of a non-tangent curve, concave Northwesterly, having a radius of 20.00 feet, the radius point of said curve bears North 83° 33' 22" West;
Thence Southwesterly along the arc of said curve through a central angle of 83° 26' 35", an arc distance of 29.13 feet;
Thence South 89° 53' 13" West a distance of 167.28 feet to the TRUE POINT OF BEGINNING.

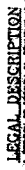
Said property containing 274,197 sq.ft. or 6.29 acres, more or less.



EXPIRES 9/30/2012

EXHIBIT "B"

Point(s) of Connection

[illegible]

140 FEET EAST OF THE CENTERLINE OF OHIO ROAD AND
5 FEET NORTH OF THE CENTERLINE OF KING STREET.
5 FEET SOUTH OF OHIO POWER POLE. R.M. 107
ELEVATION = 484.47 (MAY 29 DATA)

THE LINE FROM THE S.E. CORNER OF SECTION 21 TO THE WEARNER CORNER ON THE SOUTH LINE OF SECTION 21 WAS TAKEN TO BE 8 80' 50" S IN PREVIOUS PLAT OF YELLOW VALLEY CSTALLS NO

SUBSIDIARY LOCATED IN FOUR AREAS OF ELZE ANNUAL
CHANGE FLOOD; AREA OF 18 ANNUAL CHANGE FLOOD WITH
AVERAGE DEPTHS OF LESS THAN 1 FOOT OR WITH DRAINAGE
AREAS LESS THAN ONE SQUARE MILE; OR AREAS PROTECTED BY
LEVEES FROM THE BASE FLOOD.

MC KELLYS LAND CORPORATION
215 WEST ROYAL PALM ROAD
PHOENIX, ARIZONA 85001
WAYNE MC KELLYS
(602) 241-2281
wmc@sigco.net

THIS IS TO CERTIFY THAT THE FOREGOING
SURVEY ON THE ABOVE DESCRIBED SUBDIVISION
WAS MADE UNDER MY DIRECTION AND
SUPERVISION AND IS ACCURATELY PREPARED
ON THIS DATE.

R.F.W.

R. L. WATSON, Surveyor
ARIZONA REG. NO. 14081
My Comm. Expires 12/31/80

RECEIVED
COUNTY CLERK
COCHISE COUNTY
JAN 14 1981

[illegible]


 HAS IT TO CERTIFY THAT THE ORIGINAL
 OF THE ABOVE RECORDED INFORMATION
 WAS RECEIVED BY THE DIRECTOR AND
 SUPERVISOR AND THAT THE SAME IS
 RECORDED ON THIS PLAT.



 R. L. SMITH
 ARIZONA RES. NO. 14,370
 1000-1000-1000-1000

P.H.C.
WEAL
B.C.
L.S.
C.D.
P.A.C.
D.O.R.
S.O.R.

SUBJECT

L.O.T CODE

CABLE TV	CABLE NEWS 10000 WILSON AVE BELLFLOWER, CA 90442 (415) 774-0000	WATER	1425 TRINITY 1425 DUSTY CORPORAION, STREET LOS ANGELES, CA 90007 (213) 763-2013	ELECTRIC	KEANE ELECTRIC CORPORATION 20000 WILSON AVE BELLFLOWER, CA 90442 (714) 774-0000	SEWER	1425 TRINITY 1425 DUSTY CORPORAION, STREET LOS ANGELES, CA 90007 (213) 763-2013	GAS	TRINITY GAS CORPORATION 1425 TRINITY BELLFLOWER, CA 90442 (415) 774-0000	SOLID WASTE	ALCO WASTE 1425 TRINITY BELLFLOWER, CA 90442 (415) 774-0000	FIRE DEPARTMENT	1425 TRINITY 1425 DUSTY CORPORAION, STREET LOS ANGELES, CA 90007 (213) 763-2013	TELEPHONE	TRINITY - A COMPANY OF CITICORP COMM 1425 TRINITY BELLFLOWER, CA 90442 (415) 774-0000
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PARCELS "A" WILL BE DEEDED TO THE OWNERS OF
APR 22-28-1953

WILLOW VALLEY ESTATES 21
TRACT 4228

Engineering and Design
 (928) 750-3333
 (928) 750-8888

EXHIBIT "C"

Water Facilities Budget

ENGINEER'S ESTIMATE

FOR

WILLOW VALLEY ESTATES 21 TRACT 4228

WATER SYSTEM IMPROVEMENTS

ITEM#	DESCRIPTION	QUANTITY	UNIT	PRICE	SUBTOTAL
1	8" C-900 PVC WATERLINE	971	L.F.	\$22.00	\$21,362.00
2	1" DOUBLE WATER SERVICE	10	EA.	\$350.00	\$3,500.00
3	3/4" SINGLE WATER SERVICE	2	EA.	\$300.00	\$600.00
4	8" FIRE HYDRANT WITH VALVE & FITTINGS	1	EA.	\$1,800.00	\$1,800.00
5	8" VALVE, BOX & COVER (SEPARATE FROM HYDRANTS)	2	EA.	\$480.00	\$960.00
6	8" X 8" TEE	1	EA.	\$240.00	\$240.00
7	8" 45° ELBOW	1	EA.	\$150.00	\$150.00
8	8" 22 - 1/2° ELBOW	2	EA.	\$150.00	\$300.00
9	CAP & 2" BLOW OFF	1	EA.	\$350.00	\$350.00
10	8" X 6" TEE	1	EA.	\$225.00	\$225.00
11	6" C-900 PVC WATERLINE	111	L.F.	\$18.00	\$1,998.00
12	6" VALVE BOX AND COVER	1	EA.	\$375.00	\$375.00
13	6" 45° ELBOW	1	EA.	\$80.00	\$80.00
14	6" CAP & 2" BLOW OFF	1	EA.	\$130.00	\$130.00
15	TESTING	1	LS.	\$2,400.00	\$2,400.00
16	ENGINEERING/SURVEY/INSPECTION	1	LS.	\$2,240.00	\$2,240.00
TOTAL WATER					\$36,710.00

PREPARED BY:
ARQ ENGINEERING LLC
4440 S. HIGHWAY 95, SUITE A
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EXHIBIT B

